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Supreme Court of the United States

OCTOBER TERM, 1954

No. 281

SPECIALTIES DEVELOPMENT CORPORATION,
Petitioner,

v.

RANDOLPH LABORATORIES, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT AND APPENDIX

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Opinions of Tribunals Below

There have been the following opinions in this case:

1. Judge MEANY's opinion, dated October 31, 1945, denying motions to dismiss action as to Walter Kidde & Co. for lack of venue and failure to state a cause of action, and to strike certain allegations from complaint.

62 F. Supp. 897;
67 USPQ 207.

2. Judge FAKE's opinion following the trial, dated Feb. 9, 1949, holding Mapes Reissue Patent No. 18,839 valid and infringed, three other patents invalid, and that there was no unfair competition by Kidde or Specialties. Judge

FAKE's findings of fact and conclusions of law begin at P-41a.

82 F. Supp. 316;
80 USPQ 412;
P-46a.

3. Opinion of Court of Appeals of December 21, 1949, affirming Judge FAKE (except as to unfair competition, which was not appealed), with modification as to scope of Mapes patent.

178 F. 2d 477;
84 USPQ 1;
P-57a.

4. Certiorari denied May 8, 1950, October Term, 1949, No. 698.

339 U. S. 952;
94 L. ed. 1365;
70 Sup. Ct. 840.

5. Memorandum of Special Master, dated August 22, 1950, overruling Randolph's protests to Special Master's order directing it to file an account; and directing Randolph to file a better account and extending the time therefor.

D-5a.

6. Opinion of Court of Appeals, dated November 29, 1950, on Randolph's appeal following clerical error made in entering judgment on mandate. The previous opinion was adhered to, and judgment ordered corrected.

185 F. 2d 403;
88 USPQ 164;
P-68a.

7. Memorandum of Special Master, dated February 16, 1951, following Randolph's fourth statement of account, holding that account adequate to permit the matter to proceed, denying Specialties' exceptions to Randolph's first three statements of account, and denying Specialties' motion to require Randolph to file a better and further statement or in default thereof for further relief; but without prejudice to Specialties' right to renew exceptions and motions if subsequent developments so warrant.

D-10a.

8. Memorandum of Special Master, dated October 16, 1951, refusing to require Randolph to account for all its infringing models, and limiting the accounting to those models before the Court at the trial.

D-51a.

9. Proceedings before Judge FAKE October 22, 1951, in which Judge FAKE ordered Randolph to file a further statement of account.

D-53a.

10. Opinion of Court of Appeals, filed November 13, 1952, denying Randolph's petitions for leave to reopen interlocutory decree and amend complaint and answer to counterclaim, on the ground that Court was "fully satisfied" there had been no fraud on the Patent Office in connection with the Mapes patent.

199 F. 2d 680;
95 USPQ 249;
P-284Ba.

11. Certiorari denied March 9, 1953. October Term, 1952, No. 601.

345 U. S. 910;
97 L. ed. 1345;
73 S. Ct. 651.

12. Report of Special Master to Judge FAKE, filed March 5, 1953, finding infringing sales of $3,761,605.80; finding a reasonable royalty to be 7%; recommending a recovery at 7%, amounting to $263,312.40, on models before the Court at the trial; and holding that questions of treble damages, interest and attorney's fees were exclusively within the province of the Trial Court.

P-240a.

13. Order of Judge FAKE, dated October 5, 1953, overruling exceptions to report of Special Master and confirming and approving that report for the reasons relied on by the Master; and denying Specialties' requests for interest, treble damages, and attorney's fees.

P-260a.
Final judgment, P-269a.

14. Opinion of Court of Appeals, filed June 24, 1954, reducing recovery to 2%, amounting to $75,232.12.

102 USPQ 140;
Appendix herein.

Grounds on Which Jurisdiction Is Invoked

The judgment was dated June 24, 1954 and entered that day. The amended judgment sought to be reviewed, was dated July 21, 1954 and entered that day.

Rehearing was denied in an order entered the same day the amended judgment was entered, July 21, 1954.

This Court is believed to have jurisdiction under 28 U. S. C. 1254.

Questions Presented

The questions presented, stated affirmatively, are:

1. On a recovery for patent infringement, the statutory amendment of August 1, 1946 makes it mandatory to allow interest from the time the infringement occurred even though the recovery is based on reasonable royalties.

2. A recovery is inadequate to compensate for patent infringement when it is for no more than a license fee voluntarily paid by licensees who have respected the patent, as this puts a premium on infringement and amounts to compulsory licensing.

If certiorari is granted we will ask that the additional question be considered, also stated affirmatively:

3. A reasonable royalty in this case is at least 7%.

The Statutes Involved

35 U. S. C. (1952 ed.) 284 in Patent Act of 1952:

"§ 284. Damages

"Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"The court may receive expert testimony as an aid to the determination of damages or of what

royalty would be reasonable under the circumstances."

35 U. S. C. (1940 ed.) 70 as amended August 1, 1946 (Public Law No. 587, 79th Congress, Sec. 4921 R. S.):

"§ 70. Power of court to grant injunctions; recovery of general damages; assessment; elements of general damages; increase of damages; limitations; notice to Commissioner of suits and judgments rendered

"The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor, together with such costs, and interests, as may be fixed by the court. The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case.

"The court is authorized to receive expert or opinion evidence upon which to determine in conjunction with any other evidence in the record, due compensation for making, using, or selling the invention, and such expert or opinion evidence is declared to be competent and admissible subject to the general rules of evidence applicable thereto.

"The court shall assess said damages, or cause the same to be assessed, under its direction and shall have the same power to increase the assessed damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case; but recovery shall not be had for any infringement committed

more than six years prior to the filing of the complaint in the action."

* * * * *

"This Act [this section] shall take effect upon approval and shall apply to pending causes of action in which the taking of the testimony has not been concluded; *Provided, however,* That pending causes of action in which the taking of the testimony has been concluded are to be governed by the statute [this section] in force at the time of approval of this Act [Aug. 1, 1946] as if such statute [this section] had not been amended."

35 U. S. C. (1946 ed.) 67 (Act of July 8, 1870, Chapter 230, Sec. 59; 16 Stat. 207; R. S. 4919):

"§ 67. Infringement of patent; damages for

"Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs."

Statement of the Case

1. The complaint was filed by Randolph on April 30, 1945, after taking out patent infringement insurance. It asked for a declaratory judgment of invalidity of Minor patent No. 1,760,274 owned by Specialties, and for an injunction and a recovery for alleged unfair competition against both defendants. The District Court had jurisdiction under the Declaratory Judgment Act, 28 U. S. C. 2201 as well as for diversity of citizenship, 28 U. S. C. 1332.

2. Specialties counterclaimed for infringement of the Minor patent and also for infringement of three other patents including Mapes Reissue 18,839, issued May 23, 1933 on an application for reissue filed March 2, 1933, based upon original patent No. 1,853,629 issued April 12, 1932 on an application filed November 14, 1929. All four patents relate to portable carbon dioxide fire extinguishers.

3. After full trial before Judge FAKE, he dismissed the charge of unfair competition. There was no appeal from this portion of his decision. He also held the Mapes Reissue patent valid and infringed and the other three patents invalid, and appointed a Master to take an accounting on the Mapes patent. (Opinion No. 2 above.)

4. The Court of Appeals affirmed with some modification as to the scope of the Mapes patent. (Opinion No. 3 above.) This Court denied certiorari. (No. 4 above.)

5. Randolph took a second appeal because of a clerical error made in entering the judgment on mandate. The Court adhered to its earlier decision. (Opinion No. 6 above.)

6. During the accounting Randolph filed two petitions in the Court of Appeals for permission to reopen the case for alleged fraud in obtaining the Mapes patent. Both were denied in a single opinion. (No. 10 above.) This Court again denied certiorari. (No. 11 above.)

7. The Master allowed a recovery on the basis of a reasonable royalty. In a draft opinion he held a reasonable royalty to be 10% but changed this to 7% in his final report. He found infringing sales of models before the Court at the trial of $3,761,605.50. The arithmetic of this figure has not been challenged by either side. The recovery recommended was 7% of this, amounting to $263,312.40. The

Master refused to pass on the question of whether interest, treble damages, and attorney's fees should be allowed, saying this was a matter for the Trial Court. (No. 12 above.)

8. Judge FAKE affirmed the Master without opinion. He refused to allow any interest prior to the date of final judgment, and refused treble damages and attorney's fees. His order appears at P-260a (No. 13 above) and the final judgment appears at P-269a.

9. Both parties appealed from the order at P-260a and also from the final judgment at P-269a, making four appeals.

10. The Court of Appeals reduced the recovery to 2%, amounting to $75,232.12, saying that this was fair and just in this case. (No. 14 above.)

11. The Court of Appeals denied rehearing on July 21, 1954, but amended the judgment to make a change in the wording with respect to costs.

Reasons Relied on for Allowance of the Writ

1. The lower Federal Courts have uniformly refused or failed to apply, or even to construe, the amendment to the statute of August 1, 1946, making interest mandatory from the date of the infringement. There appears to be no way to make this amendment effective without the intervention of this Court.

2. The lower Federal Courts have failed to implement the intent of Congress that recovery for patent infringement shall be adequate to compensate for the infringement. The intervention of this Court is required to make this intent effective.

ARGUMENT

1. The Lower Federal Courts Have Uniformly Refused or Failed to Apply, or Even to Construe, the Amendment to the Statute of August 1, 1946 Making Interest Mandatory From the Date of the Infringement. There Appears to Be No Way to Make This Amendment Effective Without the Intervention of This Court.

Effective August 1, 1946, 35 U. S. C. (1940 ed.) 70 was amended to make interest mandatory from the time the infringement occurred in all cases, on a recovery for patent infringement. Prior thereto interest was allowed from the time of the infringement where the recovery was based on an established royalty, but only from the date of the Master's report (in the absence of special circumstances) where it was based on a reasonable royalty or on the infringer's profits. Since that time there have been four cases in four different Courts of Appeals, including the present case, in which such interest has not been allowed from the time of the infringement. In no case was the amendment to the statute so much as referred to, the Courts citing and relying on cases prior to the amendment. These cases are:

Dixie Paper Cup Co. v. *Paper Container Mfg. Co.*, 169 F. (2) 645 (C. A. 7, 1948); District Court opinion not reported;

Grant Paper Box Co. v. *Russell Box Co.*, 106 F. Supp. 616 (D. C. Mass., 1952, Judge WYZANSKI); affirmed 203 F. (2) 177 (C. A. 1, 1953); cert. den. 98 L. ed. 41 (1953) (Court allowed interest from date of infringement on recovery based on reasonable royalty only because of "special circumstances");

Excel Auto Radiator Co. v. *Bishop & Babcock Mfg. Co.*, 102 USPQ 74 (N. D. Ohio, March 6, 1953, Chief Judge JONES); affirmed 102 USPQ 52 (C. A. 6, April 21, 1954).

In the present case the amendment was called to the attention of the Court by brief and by a petition for rehearing. The Court below, like its predecessors, failed to give it effect or even mention it, in turn relying on the cases prior to the amendment.

The Congressional comments and the Reviser's notes accompanying the amendment, as well as the judicial history prior to its enactment, and the amendment itself, make it clear that interest is now mandatory.

Judicial History Prior to Amendment

In the case of *Tilghman* v. *Proctor*, 125 U. S. 136 (1888), this Court held that where a recovery for patent infringement was based on the infringer's profits due to use of the invention, interest should be allowed only from the date of the Master's report in the absence of special circumstances, because such profits were a measure of damages which were unliquidated until judicially ascertained. This Court said in the next to last paragraph of its opinion that the refusal of the Master to allow interest on profits before the date of his report would require grave consideration except for the fact that a uniform current of decisions of this Court beginning 30 years previously had held otherwise; and that the Patent Act of 1870 "made no mention of interest." This appears to have been an invitation to Congress to make interest mandatory by simply mentioning it.

In *Crosby Steam Gage & Valve Co.* v. *Consolidated Safety Valve Co.*, 141 U. S. 441 (1891), this Court adhered to that decision, and quoted its own language from the *Tilghman* case about "no mention of interest." This appears to have been a renewal of the invitation to Congress.

In *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U. S. 448 (1936), this Court cited both the *Tilghman* and *Crosby Steam Gage* cases in support of the decision that where damages were based on a reasonable royalty interest should run only from the date the damages were liquidated, except in exceptional circumstances. This appears to have been another renewal of the invitation to Congress to make interest mandatory by mentioning it. At least it amounted to a restatement that interest could be made mandatory by simply mentioning it.

In *Swan Carburetor Co.* v. *Nash Motors Co.*, 133 F. 2d 562 (C. C. A. 4, 1943), the Court at page 567 stated the rule as follows:

> "Under the general rule, interest on damages ascertained on the basis of an established royalty runs from the time when the royalty should have been paid, while interest on damages calculated on the basis of a reasonable royalty does not begin to run, in the absence of special circumstances, until the amount of the damages has been judicially ascertained and liquidated. Tilghman v. Proctor, 125 U. S. 136, 143, 8 Sup. Ct. 894, 31 L. Ed. 664; Duplate Corp. v. Triplex Safety Glass Co., 298 U. S. 448, 56 S. Ct. 792, 80 L. Ed. 1274; Locomotive Safety Truck Co. v. Pennsylvania R. Co., C. C., 2 F. 677; Munising Paper Co. v. American Sulphite Pulp Co., 6 Cir., 228 F. 700; Merrell Soule Co. v. Powdered Milk Co., 2 Cir., 7 F. 2d 297; Richmond Screw Anchor Co. v. United States, 67 Ct. Cl. 63."

With the rule thus clearly stated, Congress amended the statute in 1946.

The Amendment to the Statute

Prior to August 1, 1946, R. S. 4921 (35 U. S. C. (1940 ed.) 70) contained no express provision for interest. It provided that the recovery for patent infringement should be

> "in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby,"

Following the cases just discussed above, 35 U. S. C. (1940 ed.) 70 was amended on August 1, 1946 to require interest, by mentioning it. The recovery provided by that statute was

> "general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor, together with such costs, and interests, as may be fixed by the Court."

In the Patent Act of 1952 the statute was again amended, the number being changed to 35 U. S. C. 284, again mentioning interest and thereby continuing to require it. This Act provided a recovery of

> "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use of the invention made by the infringer, together with interest and costs as fixed by the Court."

The mention of interest in the 1946 Amendment, and its continuance in the 1952 Amendment, made interest mandatory in response to the invitations of this Court.

The last paragraph of the 1946 amendment made it applicable to pending causes of action in which the taking of testimony had not been concluded (p. 7 herein). In this case the taking of testimony had not yet started at the time of the amendment.

The Congressional Comments and the Reviser's Notes

The Congressional comments on the amendment appear in the U. S. Code Congressional Service, 79th Congress, 2nd Session, 1946, at page 1386. In those comments it is said on page 1387:

> "The object of the bill is to make the basis of recovery in patent-infringement suits general damages, that is, any damages the complainant can prove, not less than a reasonable royalty, together with interest from the time infringement occurred, rather than profits and damages."

These comments are clear and explicit to the effect that interest is to be paid from the time of the infringement, whether damages are based on an established royalty or on a reasonable royalty, without imposing on the Courts the necessity of finding any special circumstances in order to allow interest from the earlier date where the basis is reasonable royalty.

The Reviser's notes in the U. S. Code following 35 U. S, C. (1946 ed.) 70 are similarly explicit, stating flatly that the section was amended to make the basis of recovery general damages, not less than a reasonable royalty.

> "together with interest from the time infringement occurred, rather than profits and damages."

It thus appears very clearly that interest is mandatory in this case from the time the infringement occurred.

As pointed out above, there appears to be no way to get the lower Courts to implement the intent of Congress that interest be allowed from the date of infringement where the recovery is based on a reasonable royalty, without the intervention of this Court.

2. The Lower Federal Courts Have Failed to Implement the Intent of Congress That Recovery for Patent Infringement Shall Be Adequate to Compensate for the Infringement. The Intervention of This Court Is Required to Make This Intent Effective.

The Patent Act of 1952 provides that recovery for patent infringement shall be

> "adequate to compensate for the infringement, but in no event less than a reasonable royalty."

The intent of Congress from the beginning of the patent system has been that recoveries should be adequate to compensate for infringement. Otherwise the patentee's right to exclude others from the practise of his invention is non-existent. If a competitor may copy a patented invention at no greater cost than the royalties a "willing" licensee would pay (the definition of a reasonable royalty given in the opinion of the Court below), no one need take a license, and an exclusive license becomes impossible.

Treble damages for patent infringement have been in the law continuously since the Patent Act of 1793.

As early as 1912 this Court expressly recognized the intent of Congress that a patentee should have "ample redress" against an infringer. In the case of *Westinghouse Electric & Manufacturing Co.* v. *Wagner Electric & Manufacturing Co.*, 225 U. S. 604 (1912) this Court used the following language which has been repeatedly quoted since by the lower Courts:

> "In considering the question presented by the record here, it is to be borne in mind that Congress has legislated (Rev. Stat. § 4921, U. S. Comp. Stat. 1901, p. 3395) with a view of affording the patentee

> ample redress against the infringer. It not only makes the latter liable for damages—sometimes three-fold damages—but for all profits derived from the use or sale of plaintiff's invention."

The Courts have, however, failed to allow a recovery in patent cases adequate to compensate for the infringement. Congress amended the statute three times in the last 32 years (1922, 1946, and 1952) in the attempt to remedy this deplorable situation, so far without avail. There appears to be no way to implement the intent of Congress without the intervention of this Court.

In *Merrell Soule Co.* v. *Powdered Milk Co. of America*, 7 F. (2d) 297 (C. C. A. 2, 1925), the Court at page 299 quoted from a 1921 opinion of the Sixth Circuit Court of Appeals in which Judge DENISON had in turn quoted from an earlier textbook on patent law. The Court said at page 299:

> "He (Judge Denison) said, and spoke from experience in saying, that 'it is familiar knowledge * * * that experienced patent counsel have advised that, as a general rule, no recovery [of damages] that would pay the expense of litigation could be anticipated.'"

Beginning in 1922 Congress has attempted to correct this situation.

The Patent Act of 1870 (R. S. 4921) provided for a recovery of "in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby," and further provided that damages might be trebled (p. 7 herein).

The amendment of 1922 provided for the same recovery, but permitted expert testimony to establish a "reasonable

sum as profits or general damages" where they could not be computed with "reasonable certainty." The amendment provided that if

> "such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement;"

Twenty-four years of experience proved this amendment inadequate to correct the inequities it was intended to reach. As early as 1925 the Second Circuit Court of Appeals quoted Judge DENISON's statement as still applicable (quoted above in *Merrell Soule* case). Accordingly, the statute (35 U. S. C. (1940 ed.) 70) was again amended in 1946 to require that the patent owner recover "due compensation" for the infringement, "not less than a reasonable royalty." This statute is quoted on pages 6-7 herein.

Six years later Congress again amended the statute in a further attempt to assure an adequate recovery. The Patent Act of 1952 changed the section number to 35 U. S. C. 284 and further amended the statute to provide for a recovery "adequate to compensate for the infringement, but in no event less than a reasonable royalty." The statute is quoted on pages 5-6 herein.

This judicial and legislative history make it clear that Congress did not intend that a reasonable royalty would be the maximum recovery, where this is inadequate to compensate for the infringement.

The Courts have recognized this by dicta in isolated cases. For example, in *Computing Scale Co.* v. *Toledo Computing Scale Co.*, 279 Fed. 648 (C. C. A. 7, 1921), the Court said at page 673:

> "And neither 'established royalty' nor 'reasonable royalty,' as evidence of the value of the invention, would be necessarily the limit of value, for an infringer should not be allowed the profit which a licensee justly expects."

And in *Otis Elevator* v. *John W. Kiesling & Son, Inc.*, 87 F. Supp. 408 (E. D. N. Y., 1949), Chief Judge INCH said at page 412:

> "* * * I can state that, in my opinion, twenty-five percent is too high, and that three percent is too low, for the reason that this would mean one could infringe with impunity even if it has no license and then when found to be an infringer, pay only that which a license would have required. Ten or fifteen percent would obviate this criticism as a business proposition * * *."

The present case vividly illustrates the fact that the failures of justice referred to by Judge DENISON in 1921, which Congress has persistently attempted to correct for the last thirty-two years, have not yet been corrected.

In this case the damages allowed are woefully inadequate to compensate for the infringement. The Master found that the Mapes patent "dominated the use and saleability of fire extinguishers" (P-245a, P-251a No. 6). The District Court approved this finding.

There was no evidence to the contrary from any witness having any knowledge of the fire extinguisher industry. Randolph presented only three witnesses as to a reasonable royalty, Van Deventer, Minor, and Jones. Its prin-

cipal witness, Van Deventer, had had no experience whatever in the fire extinguisher industry (D-207a) and did not even study the Mapes patent before testifying (D-253a). Minor expressly testified that he knew nothing about the structure of the Mapes patent (P-132a), and was not testifying about the Mapes patent at all (P-139a). Jones had had experience with only two licenses in the portable carbon dioxide fire extinguisher field, and those were in 1929 (D-186a), a quarter of a century ago.

Yet the Court of Appeals held that the Mapes patent provided

> "an advantageous feature but not an essential or dominating one"

and further that the Mapes patent

> "did not dominate the field, although its device was undoubtedly superior to the ball check valve with which it competed."

And the Court held that a royalty of 7% was "grossly excessive" and that a royalty of 2% would be "fair and just in this case."

The Court below expressly based its decision on the allowance of a "reasonable royalty", with no consideration whatever of whether this was "adequate to compensate for the infringement."

Congress has made its intent clear. It appears to be equally clear that that intent cannot be made effective without the intervention of this Court.

CONCLUSION

It is accordingly prayed that a writ of certiorari be granted to consider the three questions presented.

Respectfully submitted,

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[APPENDIX FOLLOWS]

APPENDIX

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

RANDOLPH LABORATORIES, INC.

v.

SPECIALTIES DEVELOPMENT CORPORATION

AND

WALTER KIDDE & COMPANY, INCORPORATED

Nos. 11,219 AND 11,221, APPEALS OF RANDOLPH LABORATORIES, INC.

Nos. 11,220 AND 11,222, APPEALS OF SPECIALTIES DEVELOPMENT CORPORATION AND WALTER KIDDE & COMPANY, INCORPORATED.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

Argued May 3, 1954

Before MARIS, KALODNER and HASTIE, *Circuit Judges*

Opinion of the Court

(Filed June 24, 1954)

By MARIS, *Circuit Judge.*

These appeals bring to us for review the final judgment in a hard fought patent case. Randolph Laboratories, Inc. sued Walter Kidde & Company, Incorporated, and its

patent holding subsidiary Specialties Development Corporation, in the District Court for the District of New Jersey for a declaratory judgment of invalidity and non infringement of Minor Patent No. 1,760,274. Specialties thereupon counterclaimed for an injunction and damages as to that and certain other patents including Mapes Reissue Patent No. 18,839. The case has been here three times before. 178 F. 2d 477; 185 F. 2d 403; 199 F. 2d 680. The Minor patent was held invalid. Certain claims of the Mapes patent were held valid and infringed by Randolph's fire extinguishers and the district court referred the case to a special master for an accounting of Specialties' damages because of the infringement. The master found that damages should be awarded on the basis of a reasonable royalty, that 7% of total sales was such a royalty and that this would amount to $263,312.40. He accordingly recommended the award to Specialties of damages in that sum. Exceptions were filed by both parties. These were all dismissed by the district court which confirmed the special master's report and entered judgment in favor of the defendants and against Randolph in the sum of $263,312.40 and costs. From the order confirming the master's report and the judgment thus entered Randolph appealed. The district court in its order and judgment declined to include interest or to award treble damages or counsel fees. From its refusal to do so the defendants appealed.

The Mapes patent with which we are here concerned relates to a recoil prevention safety device used in connection with a portable high pressure gas cylinder such as a carbon dioxide fire extinguisher. It is fully described in our prior opinions reported in 178 F. 2d 477 and 199 F. 2d 680. The master found that the patent dominated the use and salability of fire extinguishers and his award of a 7% royalty was based upon that premise. It is clear, however,

that the finding of domination was erroneous. This court in its opinion denying Randolph's petition for leave to reopen the district court's interlocutory adjudication of the validity of the Mapes patent pointed out that it is limited in scope to the use of a recoil preventing safety device of the type described in the specification of the patent, namely, one which without hindering the escape of gas so diffuses its flow as to prevent recoil. The evidence is uncontradicted that except in one instance the defendants did not grant licenses to the industry for the use of the device of the Mapes patent but reserved this device for their own use as a competitive feature of their fire extinguishers. The defendants concede that many of their competitors used a different safety device.

The fact is that it was the device of the Minor patent No. 1,760,274, the outwardly flaring shield or horn enclosing the nozzle, which actually dominated the industry since the use of that device was essential to the operation of a high pressure carbon dioxide fire extinguisher. But the Minor patent was held to be invalid by the district court and by this court. Accordingly Specialties' claim was restricted to the Mapes patent for what, as we have pointed out, was an advantageous feature but not an essential or dominating one. It follows that the award of damages recommended by the master and approved by the district court was based on an erroneous premise. We are satisfied that the award, based as it was on 7% of total sales, was grossly excessive and that it must be set aside.

This case has been pending nine years. The record before us contains all the evidence and other materials necessary to a proper judgment. We think, therefore, that the case should not be sent back to the district court for further findings but that we should make final disposition of it here and now, as was done in Horvath v. McCord Radiator

& Mfg. Co., 6 Cir. 1938, 100 F. 2d 326, cert. den. 308 U. S. 581, and Hardt v. Heller Bros. Co., 3 Cir. 1948, 171 F. 2d 644. We accordingly proceed to consider the amount of the damages to which Specialties is entitled. This amount is to be based upon what would be a reasonable royalty, that is, what a manufacturer desiring to use the patented device would be willing to pay as a royalty for its use. Faulkner v. Gibbs, 9 Cir. 1952, 199 F. 2d 635.

The evidence indicates that the defendants had licensed the use of the device of the Minor patent to various members of the industry at a royalty rate of 3% of sales. While the defendants assert that this was during the earlier developmental period and that they later issued licenses at a 15% royalty rate it appears that as late as 1945 the defendants offered Randolph a license agreement covering the Minor patent at the 3% rate. A rate of 3% thus appears to be established in this industry as a reasonable royalty for the use of the essential device of a patent dominating the field. The Mapes patent, as we have seen, did not dominate the field, although its device was undoubtedly superior to the ball check valve with which it competed. We conclude, therefore, that damages based upon a royalty of 2% of total sales would be fair and just in this case. This conclusion finds further support in the fact that the defendants appear to have licensed both the Minor and Mapes patents in 1938 to the American-La France Foamite Corporation at a royalty rate of 5%. The total sales of Randolph were found by the master to amount to $3,761,605.80. The damages to be awarded to Specialties computed at 2% of this amount should, therefore, be $75,232.12.

Randolph asserts that the defendants are estopped from claiming damages for infringement of the Mapes patent by reason of the defendants' actions in charging it originally with infringement of the Minor patent only. We

see no merit whatever in this contention since no basis for an estoppel was established.

We turn then to the contentions raised by the defendants on their appeals that the district court erred in refusing to include interest from the time of infringement in the judgment, to treble the damages or to allow counsel fees. There is no merit in these contentions. It is settled that interest on an unliquidated claim for damages in a patent infringement suit is allowable from the time of infringement only under special circumstances and in the discretion of the court. Tilghman v. Proctor, 1888, 125 U. S. 136; Duplate Corp. v. Triplex Co., 1936, 298 U. S. 448; Gotham Silk Hosiery Co. v. Artcraft Silk Hos. Mills, 3 Cir. 1945, 147 F. 2d 209. This is true even though the damages awarded are computed on the basis of a reasonable royalty. Merrell Soule Co. v. Powdered Milk Co., 2 Cir. 1925, 7 F. 2d 297. Treble damages and attorneys fees are also allowable only in the discretion of the district court. Enterprise Mfg. Co. v. Shakespeare Co., 6 Cir. 1944, 141 F. 2d 916; Merrill v. Builders Ornamental Iron Co., 10 Cir. 1952, 197 F. 2d 16; 35 U. S. C. § 285. We see no basis in this record for holding that the district court abused its discretion in refusing to award interest, treble damages or counsel fees.

The judgment of the district court will be modified by reducing the award of general damages in favor of the defendants and against the plaintiff from $263,312.40 to $75,232.12. As so modified the judgment will be affirmed. Each party will bear its own costs.